

ECONOMIC POTENTIAL OF UKRAINE IN WARTIME CONDITIONS: MACROECONOMIC SITUATION

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Today, the Ukrainian economy faced an unprecedented shock in its entire history. The full-scale military invasion of the Russian Federation dealt a powerful blow to all links of the national economy. The production of the main types of products has decreased, in particular those that form the basis of Ukraine's export potential. In addition, the ports are blocked, and therefore the lion's share of foreign trade. The transport and logistics, social, marketing and engineering infrastructure of entire regions is crumbling. There is an outflow of personnel abroad and their partial relocation to the west of the country, which temporarily throws hundreds of thousands / millions of people out of active economic life. Therefore, today the domestic economy is becoming more and more clearly one of the priority fronts, which will determine both the further course of military operations and the ability of our country to successfully rebuild after their end [1; 2; 3].

Ukraine's economy has not yet fully absorbed the crisis phenomena caused by the war, due to the fact that the crisis has many components, some negative trends are prone to exacerbation, and finding relevant political solutions takes time, especially when it comes to a multifaceted crisis [4; 5].

Judging by historical data, the Ukrainian economy has a sufficient share of the economic potential to overcome the current crisis, for which it is necessary to change certain trends in economic development, as evidenced by the September statistical data of the NBU. Implementation of the state budget remains stable, with the possibility of attracting further debt and grant capital. The public sector of the economy has certain successes (logistics, energy), while the private sector is significantly behind in its indicators, which indicates the presence of emotions when choosing solutions for business development, and a partial misunderstanding of the direction of economic development, and the solution of these problematic moments will require more time [6; 7].

According to the NBU [5], consumer inflation in Ukraine is accelerating (up to 23.8% in August from 22.2% in July). The carryover effects from high-energy prices, correction of the hryvnia exchange rate, and the consequences of Russia's terrorist actions and the temporary occupation of certain territories remain the main factors of increasing inflationary pressure. The nature of current inflation is inherited from the pre-war economy.

The Ukrainian corporate sector has a set of basic models of reaction to inflation expectations, easily daring to raise prices long before real inflation occurs and takes place in economic processes. In addition, although the role of Russia and its strategy of destroying the Ukrainian economy is indisputable, it is quite possible to reverse inflationary trends through political decisions in the monetary sphere, communication and stricter regulation of the activities of the corporate sector, in particular fiscal methods [8; 9; 10].

Wartime requires a change in the behavior of the corporate sector, which requires efforts from Ukrainian business leaders. High inflation combined with high unemployment is a guarantee that consumer demand will enter a *zugzwang* situation, when even an increase in the purchasing power of the population will cause negative consequences due to an imbalance in the private corporate sector. Although the accumulation of merchandise balances will provide additional demand for warehouse space, it is unlikely to create a positive impulse. The corporate sector sometimes reacts inflexibly to changing consumer behavior and uses a too conservative set of commercial tools [11; 12].

The Ukrainian labor market is also experiencing a deep crisis, but even the first signs of recovery indicate that the process of exiting the employment market from the crisis has already begun. Thus, the growth in the number of resumes has slowed, while the increase in the number of vacancies continues, although it still lags behind the demand for jobs [13].

A significant role is probably played by seasonal work - agriculture, construction, etc. The number of vacancies in the IT field is decreasing, while the number of resumes is steadily increasing. The decrease in vacancies may be related to the relocation of employers abroad (according to the survey, 42% of IT firms have fully or partially relocated abroad). According to the *grc.ua* website, Kyiv is leading the recovery in terms of the number of vacancies in retail and other sectors.

Thus, 80% of job-seeking respondents surveyed by Gradus are ready to work outside their specialty [14; 15]. The readiness of more than 80% of Ukrainians to change their profession indicates fundamental shifts in the labor market, which is an opportunity for the corporate sector to change both the business model and the format of commercial activity.

A high number of willingness to change majors can create additional demand for educational services, especially when it comes to online education, professional courses, and advanced training seminars [16].

Stopping the large-scale outflow of private capital abroad could eventually lead to increased investment activity, which could begin to create new jobs. The positive aspect of the labor market crisis under conditions of high inflation is that 50-60% of citizens' savings will be directed to the purchase of essential goods and services in the coming months. In another scenario, these savings would form demand for real estate, cars, and bank deposits and, through deposits, for government bonds.

For the Ukrainian economy, it is more important for money to work now, and not to be in fixed-income assets. The IT labor market is unlikely to have in the post-war reality the forms it had before the war, due to the significant vulnerabilities of this

market in the conditions of the increased level of cyber security and the outflow of capital from the global technology market. The recent presentation of the new product line of the Apple company showed that there is now a demand primarily for hard solutions (quality of cameras, quality of batteries, quality of screens), and not for software solutions, which the Ukrainian IT industry has traditionally specialized in [17].

More than half of Advanter surveyed enterprises are operating at or below 60% of pre-war levels. The results are similar in the EBA, although the situation is better for large enterprises. The financial condition of the business is stabilizing, but the increase in production costs is becoming an obstacle to recovery. Logistical difficulties remain. In surveys of business associations, there is traditionally a large share of retail and, accordingly, import-oriented business.

It is not necessary to consider the drop in imports as a definite problem for the economy, because even without that there is a stable demand for foreign currency, and crediting importers with bank money in conditions of high interest rates can both worsen the balance sheets of banks and cause the formation of excess commodity balances, which will affect solvency importers [18].

In the production sector (industry, agriculture), the reduction in business activity is noticeably smaller than in the trade sector, which indicates a change in the structure of the Ukrainian economy itself, where the search for new production opportunities in the long term will begin to displace consumer demand from the leading roles in the formation of economic development impulses.

Ukrainian business traditionally counts on fiscal and regulatory relief, stating its unsatisfactory financial condition, but this is a traditional model of business behavior. In Ukraine, in Eastern Europe (with the exception of Turkey), and in the world (with the exception of China), a new economic cycle is beginning - with other credit-monetary and fiscal realities.

It is impossible to ignore these changes, and therefore Ukrainian business must gradually get used to the fact that the improvement of its condition depends on the quality of the products and services offered by it, and not on the amount of state support, which, although it could be greater, but in the conditions of public demand for the future the strengthening of the defense policy is unlikely to be fully possible [19].

Therefore, after a long expansion, in July-August the deficit decreased even without taking into account the grants. Although the negative balance has remained unprecedentedly significant since the beginning of the year - more than UAH 416 billion. The narrowing of the deficit became possible thanks to the increase in tax revenues, in particular as a result of the return of tax on the import of goods.

Also, it was in July-August that significant grant funds (over USD 5.7 billion) arrived. The deficit, as before, was covered by international and monetary financing. Currently, the NBU's monthly purchase of OVDP bonds in July-August was kept within the announced volumes - UAH 30 billion per month, which reduced the pressure on the foreign exchange market. At the same time, the rollover for market OVDPs in the national currency continued to decrease. Narrowing the state budget deficit is important ahead of the vote on the budget document for 2023, because a certain amount

of obligations will simply be inherited by the next budget. It would be politically correct to further reduce the deficit of the state budget in proportion to the pace of recovery of economic activity. It would also be correct to give the Ukrainian economy the opportunity to demonstrate its points of stability and give birth to impulses for development - and this does not necessarily require fiscal easing, although some government officials are proposing them [20].

In addition to the state budget, attention should be paid to the implementation of local budgets, in particular in the city of Kyiv. Kyiv's municipal budget was transferred to a regime of austerity, which is fiscally justified on the one hand, but is a factor limiting economic activity on the other. The slow operation of city transport is an important problem from the point of view of labor force mobility in the capital. Kyiv should carry out separate work on attracting investments to the capital in terms of increasing its security stability [15; 17; 20].

Thus, the final link of the necessary concept of reforming the domestic economy in the conditions of martial law and in view of the priorities of its post-war development is a change in the goals of the structural economic policy of the state. That is, instead of the existing practice of state support for budget-forming and export-oriented industries, the government should stimulate the development of small businesses, while encouraging self-employed persons and entrepreneurs to invest in startups and the implementation of innovative projects [7-9].

Thus, it should be stated that a post-war economic boom in Ukraine is possible only if the measures of the state's economic policy are implemented in line with a clear and consistent strategy aimed at deregulation of the economy and creation of a favorable investment climate. The main priority of such a strategy should be a change in the state's budgetary orientations. That is, instead of overburdening the state budget with various social programs, the main emphasis should be placed on financing defense programs and the development of the military-industrial complex, including the creation of a modern territorial defense system. In addition, budget funding should be directed to guarantee the population basic medical and educational services, as well as to support cultural institutions [1-7].

Instead, the solution of the vast majority of social problems of the residents of our state should be mainly due to the stimulation of their self-employment, including the reduction of the tax burden on labor, and the introduction of an effective mechanism of public works. This will create prerequisites for the growth of citizens' incomes, a decrease in their unemployment rate and employment in the legal sector of the economy, which makes it possible to obtain a much higher level of social guarantees than in the shadow sector [1-6].

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